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C O N F I D E N T I A L BUENOS AIRES 002137

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SUBJECT: BRAZILIAN AMBASSADOR TO ARGENTINA ON ELECTIONS AND
RELATIONS

Classified By: Ambassador E. Anthony Wayne for reasons (B) and (D).

¶1. (C) Ambassador Wayne met October 29 with Brazilian Ambassador to Argentina Mauro Vieira (protect). Following are highlights:

¶2. (C) Cristina Fernandez' election: Vieira had arranged for President Lula to call Cristina Fernandez de Kirchner (CFK) at 2100 October 28 to offer congratulations, shortly before the Argentine first lady spoke to her supporters. Lula plans to attend the December 10 inauguration and a farewell dinner for Nestor Kirchner December 9. The government of Brazil is looking forward to working with CFK and anticipates she will be a more cooperative partner than her husband. CFK's visit to Brazil several weeks ago went very well. In her long chat with President Lula, she pledged to maintain and improve bilateral relations. She also specifically chose to meet with a group of Brazil's important CEOs (over the option of meeting a group of women leaders) and made a strong pitch for them to invest in Argentina. They raised concerns about inflation and price controls as inhibiting investment decisions.

¶3. (C) Economic Challenges and Gradual Changes: Vieira said he believed that CFK needed to act quickly to tackle inflation and to restore confidence in Argentina's official economic statistics, if she is to attract new investment and keep the economy on track. He noted that, unlike Brazil, Argentina would find it difficult to use traditional monetary tools to attack inflation, in part because Argentina still remains significantly a cash economy and in part because of the consumption-based economic model that had brought years of growth. The Ambassador said he does not think CFK would act boldly in changing either policies or people, but that rather she will likely introduce gradual changes and that there would be a good deal of continuity in the cabinet at first. He felt that she would only gradually move out of her husband's shadow.

¶4. (C) Doha: Vieira said that Brazil was committed to getting a Doha agreement but that bringing all of Mercosur along, and notably Argentina, was a priority. He said he was not sure when or if Argentina would be ready to show flexibility, or who would be the best person in the new team to work with toward this end.

¶5. (C) Energy Sector: To increase investment, the GOA

definitely needs to start raising prices that energy suppliers can charge, and it needs to correct the requirement that suppliers buy oil at world prices to supply the market and then sell that oil at lower domestic prices. Petrobras is definitely interested in buying Exxon's refinery in Argentina (though not its service stations), for example, but is very hesitant to step into a situation where it will be required to buy more oil internationally and sell it at a loss.

Petrobras is open to partnering with an Argentine firm in any new purchases. The Brazilian firm is also interested in off-shore exploration near Mar del Plata, but is stuck in trying to squeeze more oil out of oil deposits elsewhere in Argentina. Regarding the recent criticism of Petrobras by Argentine Planning Minister De Vido for not meeting its responsibilities in Argentina, the Brazilian said he has regularly asked for specific complaints and received none.

¶6. (C) AMIA and Interpol: The Brazilian said he assumed that Brazil would support Argentina at the Interpol General Assembly, but that the Argentines had not lobbied him directly.

¶7. (C) Triple Frontier: Ambassador Vieira said that our interest in exploring additional law enforcement topics as part of the Three Plus One mechanism sounded reasonable to him, but he had not heard about this idea from Brasilia or from the Argentines.

¶8. (C) Venezuela and Mercosur: Noting that he had met with several members from both houses of Brazil's legislature last week, the Ambassador said he believed Brazil's legislature would eventually approve Venezuela's entry into Mercosur. He said the government still believed that embracing Venezuela was the best way to limit Chavez' questionable behavior.

WAYNE